

Date: September 13, 2005

To: State Farm Claim Associates handling CAT PL in the Central and Southern Zones

From: Property and Casualty Claim Consulting Services

Subject: Wind/Water Claim Handling Protocol

*****ACTION REQUIRED*****

Summary

Because of the combination of wind and water damages many homes sustained from Hurricane Katrina, the following materials have been developed and are intended for use as a guide for handling various wind and/or water claims in Louisiana, Mississippi and Alabama.

Action

The protocol below outlines the process that should be used for determination of coverage in those locations.

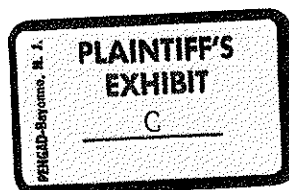
Protocol Detail

Each claim should be handled on its merits. A causation investigation should be conducted and appropriate claim file documentation is required. Any available information should be considered in making a coverage determination. This information will include, but is not limited to:

- Evidence gathered at the on site inspection. This includes documentation of physical evidence such as water lines, an examination of the debris, and an analysis of the physical damage to the structure.
- Evidence gathered at neighboring locations.
- Data obtained from reports describing damage to the area.
- Information from witnesses and policyholders.
- Input from experts that may be retained to provide guidance.

The damage to insured properties will fall into the following categories and should be handled as detailed below:

- Damage to the property was caused by windstorm.
- Damage to separate portions of the property can be attributed to either windstorm or excluded water.
- Damage to the property was caused by excluded water; with no available coverage.
- Damage to the property was caused by flood waters; covered by an available flood policy.



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Damage Caused by Windstorm

When the investigation indicates that the damage was caused by windstorm, the claim will be handled under the applicable provisions of the involved property policy. Consideration should be given to determine if a hurricane deductible or a windstorm or hail exclusion endorsement is involved and the claim handled accordingly.

Damage to Separate Portions with Distinguishable Wind or Excluded Water

Each type of damage should be documented in the claim file. The claim representative should calculate the separate damage attributable to each peril and handle the adjustment accordingly. In those cases where the policyholder has policies for both a windstorm and a flood, payments should be issued under the applicable policy.

Damage Caused by Excluded Water

When the investigation indicates that the damage was caused by excluded water and the claim investigation does not reveal independent windstorm damage to separate portions of the property, there is no coverage available under the homeowners policy pursuant to the following language in *Section 1 Losses Not Insured*:

"2. We do not insure under any coverage for any loss which would not have occurred in the absence of one or more of the following excluded events. We do not insure for such loss regardless of; (a) the cause of the excluded event; or (b) other causes of the loss; or (c) whether other causes acted concurrently or in any sequence with the excluded event to produce the loss; or (d) whether the event occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result to any combination of these:

c. Water Damage, meaning:

- (1) flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not . . ."

Other Losses Not Insured may be applicable, including 2.c.(2) & (3), 3.(a), (b) & (c).

Damage to Property Caused by Flood Waters with available Flood Policy

Where wind acts concurrently with flooding to cause damage to the insured property, coverage for the loss exists only under flood coverage, if available. The flood damage claim should be handled consistent with the terms of the flood policy providing coverage as outlined in Operation Guide 71-06.

Claims where the causation investigation is ongoing

Payment can be made under a reservation of rights for ALE or Loss of Income under the property policy until the final coverage decision is made. The policyholder should be advised in writing that:

- The investigation is ongoing.
- No coverage decision has been made.
- In the event it is determined that there is no covered damage, no further payment will be made on ALE or Loss of Income.
- They may undertake an independent investigation.

All claims in this category must be reviewed by the Claim Team Manager before a final decision is made. Management should be involved in any claim where it is deemed necessary to retain an expert to assist in the determination of causation.

For More Information

Any question on this protocol should be directed to your Claim Team Manager.

- C. P & C Claims Executive
 - Southern Zone Executive & Claim Managers
 - Central Zone Executive & Claim Managers
 - P & C Claims Directors and Consultants
 - Catastrophe Services Claim Managers
 - Catastrophe Services Section & Team Managers
 - Zone Section Managers

REQUEST FOR ENGINEER

Date of Request	10/01/05	Insured	Judy Guice
Claim Rep	Joe Caruso	Contact Person	Judy Guice
Phone Number	979-285-7936	Home Number	
Fax Number		Work Number	228-374-9787
		Other	228-365-6446
Claim Number	24-Z446-858	Street Address	239 Lovers Ln
Policy Number	24-RA-1045-7	City	Ocean Springs
Policy Type	Flood	State	Ms
		Zip Code	39564

Specific Reason(s) For Request:
Item(s) to be inspected

- 1 Determine the difference between flood & wind related damages
- 2
- 3
- 4

Team Manager Steve Burk
Phone Number

Approved YES NO

Date Approved
Date Referred

Firm Assigned

Contact Person

Phone Number

Fax Number

Date Inspected

Est. Inspection Date

Date Report Rec'd

Estimated Cost

We request an inspection and report to determine the cause(s) of damage to the building on the above referenced claim. We would like your evaluation of the structure to include an analysis of weather data and how the weather was involved in the cause of loss. Sources may include, but are not limited to reports from any or all of the following:

1. Insured's statements and eyewitnesses
2. The National Weather Service
3. FEMA / NFIP
4. Coast Guard
5. Local weather information
6. NASA
7. NOAA

Please include any factual information available on the surrounding properties to support your findings. We appreciate your factual analysis.



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